

# Solar Energy Credit

## Phone Numbers

For assistance, please contact one of the Taxpayer Information and Assistance numbers:

Phoenix.....(602) 255-3381  
Tucson.....(520) 628-6421  
Other Arizona areas .....1-800-352-4090  
Form orders.....(602) 542-4260  
Forms by Fax.....(602) 542-3756  
Recorded Tax Information  
Phoenix.....(602) 542-1991  
Other Arizona areas.....1-800-845-8192  
Hearing impaired TDD user  
Phoenix.....(602) 542-4021  
Other Arizona areas.....1-800-397-0256  
Internet ..... <http://www.state.az.us/revenue>

## General Instructions

For taxable years beginning on or after January 1, 1995, Arizona law provides a solar energy credit for an individual who installs a solar energy device in his or her residence located in Arizona.

The solar energy credit for buying and installing a solar energy device is 25 percent of the cost, including installation, or \$1,000, whichever is less. If you install another device in a later year, the cumulative credit cannot exceed \$1,000 for the same residence.

To be eligible for this credit, you must be an Arizona resident who is not a dependent of another taxpayer.

A solar energy device is a system or series of mechanisms which collect and transfer solar generated energy and which is designed primarily to:

- provide heating
- provide cooling
- produce electrical power
- produce mechanical power
- provide solar daylighting; or
- provide any combination of the above by means of collecting and transferring solar generated energy into such uses

either by active or passive means, including wind generator systems that produce electricity.

Solar energy systems may also have the capability of storing solar energy for future use. Passive systems must clearly be designed as a solar energy device, such as a trombe wall, and not merely as a part of a normal structure, such as a window.

Only a system or device which performs one or more of the above functions qualifies for the credit. An individual component of a system does not qualify for the credit by itself.

### The following devices, when used for residential purposes, qualify for the credit:

- Solar domestic water heating systems - collectors, storage tanks, heat exchangers, and piping, valves, wiring, etc., directly related to the solar system.
- Solar swimming pool and spa heating systems - collectors, heat exchangers, piping, valves, wiring, etc., directly related to the solar system.
- Solar photovoltaic systems - collectors, batteries, inverters, solar system related wiring, and including solar photovoltaic systems for recreational vehicles used as a residence. End-use appliances (even if they are 12 vdc) are excluded unless they are manufactured specifically for photovoltaic systems applications.
- Solar photovoltaic phones, street lighting, etc. - collectors, batteries, inverters, and solar system related wiring. Phone, lights, etc., are excluded unless they are manufactured specifically for photovoltaic applications.
- Passive solar building systems - trombe wall components, thermal mass, and components specifically designed for energy gains. Dual pane windows, low-e, and other window coatings, etc., are excluded.

- Solar daylighting systems - those devices and systems specifically designed to capture and redirect visible solar energy while controlling the infrared energy (conventional skylights are specifically excluded).
- Wind generators - windmill, structure, generator, batteries, controls, wiring, and other components directly related to the wind generator. End-use appliances are excluded.
- Wind-powered pumps - windmill, structure, pump, pipes, and other components directly related to the wind pump.

The person who sells you your solar energy device must furnish you with a certificate stating that the solar energy device complies with Arizona's solar energy device requirements. If you designed and installed the system yourself, you will not receive such a statement, but your solar energy device must meet the required criteria.

For more information on the solar energy credit and the Arizona solar energy device requirements, see the Arizona Department of Revenue brochure, Pub 543, titled *Solar Energy Credit*. To get a copy of this brochure, call one of the help numbers listed on page one of these instructions.

### The following DO NOT qualify for the credit.

- Conventional plumbing components - water softeners, drinking water systems, etc., even if they are provided (free or otherwise) as part of the system.
- Conventional controls - load controllers, programmable thermostats, etc., even if they are provided (free or otherwise) as part of the system.
- Conventional heating/cooling systems - air conditioners, heat pumps, evaporative coolers, furnaces, regardless of efficiency.

- Conventional windows and window treatments - dual-pane, low-e, shade screens, reflective and dark coatings, awnings, interior shades, drapes, and blinds.
- Conventional skylights.
- Appliances (all voltages) - refrigerators, lights, fans, TVs, etc., unless they are manufactured specifically for photovoltaic systems.
- Fans - ceiling, window, attic, interior.
- Paint - ceramic, reflective roof coatings.
- Insulation (includes "outsulation") and radiant barrier.
- Weather stripping, caulking.
- Misting systems.
- Vegetation - shade trees, shrubs, grass.
- Solar energy cars.

If you take a credit, you cannot take a depreciation deduction for the solar energy device for which the credit is taken. If such depreciation deduction is included in your federal adjusted gross income, you must add that amount to your Arizona gross income. You must make this addition for each period in which you deduct depreciation for federal purposes.

### **Line-by-Line Instructions**

#### **Line 1**

Enter the cost of the device. The cost of installing the device may be included in the cost of the device.

#### **Line 2**

Multiply the amount on line 1 by 25 percent. Enter the result.

#### **Line 3**

Enter the lesser of the amount on line 2 or \$1,000.

#### **Line 4**

If the allowable credit exceeds the taxes otherwise due, you may carry the credit forward for a period not exceeding five years. On line 4, enter the applicable taxable year or years from which you were originally entitled to the credit.

#### **Line 5**

Enter the amount of the your original tax credit(s) for the taxable year or years entered on line 4.

#### **Line 6**

Add line 3 to line 5. Enter the lesser of the result or \$1,000.

#### **Line 7**

Enter the amount of the tax credit shown on line 5 which has been previously used.

#### **Line 8**

Subtract line 7 from line 6. Enter the result here and on Form 301, Part I, line 7.